

Agenda: Item 15  
~~Latin America and Caribbean Board~~  
MasterCard International Incorporated  
London, England  
June 27, 1996

**TO:** Latin America and Caribbean  
Board of Directors  
MasterCard International Incorporated

**FROM:** Richard N. Child  
Regional President  
Latin America and the Caribbean  
MasterCard International Incorporated

**SUBJECT: COMPETING GENERAL PURPOSE CARD PROGRAMS**

#### Purpose

To determine the position of the Latin America and Caribbean Board of Directors ("LAC Board") with respect to Latin America and Caribbean members participating in competing general purpose card programs, and whether the LAC Board believes the matter should be addressed at the global or regional board level.

#### Background

Please refer to the Global Board agenda item 7 which was submitted to the Global Board and was previously distributed to you for the relevant background regarding this issue. A copy of the agenda item is attached hereto for your convenience of reference.

LAC Regional Management has reviewed this matter with a number of LAC Board members. The results of that review are discussed below.

#### Analysis

The strength of MasterCard lies in its unsurpassed acceptance for local and global use. The MasterCard brand is not an issuance brand. Unlike the competing general purpose card programs, MasterCard has no desire to get in the middle of the relationship between the issuer and the cardholder, and has historically positioned itself so as not to compete with its members. On the other hand, in the competing general purpose card programs, the program owners would be direct competitors of the members that may participate in those programs. Participation by a MasterCard member in a competing general purpose card program will provide to that program, free of the usual development costs, a well established distribution channel for its products, products that are owned and controlled by a non-MasterCard member and the majority of the

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benefits of which will accrue to that non-member ~~and direct~~ competitor of the participating member.

LAC Regional Management supports the LAC Board being empowered by the Global Board to establish an appropriate region-wide policy that will protect the interests of the MasterCard brand throughout the Latin America and Caribbean Region. Management also believes that it is in the best interest of the brand that MasterCard members should be dedicated to the promotion and support of the brand. Participation by MasterCard members as issuers and/or acquirers in competing general purpose card programs (as defined in the Global Board agenda item) will diminish or compromise the level of support those members provide to MasterCard. Any such reduction in the level of support could result in share loss and be detrimental to the brand.

The views of the directors surveyed varied significantly. For example, while a number of directors felt that the association should avoid imposing any restrictions on its members, an equal number of the directors contacted expressed the concerns described above with respect to the possible adverse effects on the brand and the MasterCard business.

#### Recommendation

After weighing the above factors, Regional Management recommends that the LAC Board should adopt a policy with respect to this issue that will, if not prohibit participation by LAC regional members in competing general purpose card programs, impose significant conditions regarding such participation that will protect the MasterCard brand from any potential adverse effects of such participation. In the alternative, if the LAC Board determines that it cannot reach a decision on this issue at this time, Regional Management recommends the adoption of a temporary rule that will prohibit LAC regional members from participating in competing general purpose card programs until such time as the LAC Board makes a final determination on the issue.

If the LAC Board agrees with the foregoing recommendation, it is hereby requested to adopt the following resolutions:

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**RESOLVED**, that, it is the position of the LAC Board that it should be authorized by the Global Board to take whatever action it deems appropriate with respect to the issue of regional members participating in competing general purpose card programs in the Latin America and Caribbean Region; and

**RESOLVED FURTHER**, that members in the Latin America and Caribbean Region shall not be permitted to participate, either directly or through a corporate affiliate or parent company, in competing general purpose card programs unless and until all of the following conditions shall have been satisfied and shall be continuing throughout the participation of such member in such program:

1. Such member must notify the Regional President of MasterCard in writing not less than 180 days prior to the date such participation is to commence of its intention to so participate.
2. The competing general purpose card program in which the member proposes to participate must be available to all MasterCard members in the Latin America and Caribbean Region who may choose to participate in such program on substantially equal terms, so that our members are not disadvantaged.
3. The member must conduct the competing general purpose card program separate and apart from its MasterCard program, including, without limitation, providing for separate advertising and promotional materials and separate management of the programs.
4. The member must not conduct any advertising denigrating the MasterCard brand or comparing the MasterCard brand with the competing general purpose card program brand.
5. The member must commit to a specified level of spending with respect to advertising and promotion of the MasterCard brand and commit to achieving a specified level of gross dollar volume on MasterCard branded products; such specified levels to be determined by Regional Management in consultation with the member.

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6. In order to support and preserve the strategic position of the MasterCard brand, the member's advertising of the MasterCard brand must highlight the acceptance characteristics of the MasterCard brand.
7. Members participating in such competing general purpose card programs will be charged higher or additional assessments or fees to build a promotion development fund for the MasterCard brand, such higher or additional assessments or fees to be established by Regional Management with the advice and consent of the LAC Board.

If the LAC Board determines that it cannot reach a final decision at this time with respect to a policy for the region regarding participation by members in competing general purpose card programs, the LAC Board is requested to adopt the following resolution:

**RESOLVED**, that until such time as the LAC Board has made a final determination with respect to participation by regional members in competing general purpose card programs in the Latin America and Caribbean Region, members of MasterCard in the Latin America and Caribbean Region shall not participate, either directly or through a corporate affiliate or parent, either as issuers or acquirers in a competing general purpose card program in the Latin America and Caribbean Region.

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